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SUBJECT: RUDD SHAKES UP AUSTRALIA'S FEDERAL BUREAUCRACY

Classified By: Political Counselor James F. Cole, for reasons 1.4 (b) and (d).

¶1. (SBU) SUMMARY: Prime Minister Kevin Rudd has announced that he will change the structure and responsibilities of parts of Australia's civil service to better enable him to oversee the implementation of his policy agenda. He has broken up and created new Cabinet Departments, and has merged the Department of Employment with the Department of Education, creating a "super Ministry" under the leadership of Deputy Prime Minister Julia Gillard. Rudd has also stated that public service spending is out of control, and he has committed himself to looking for ways to cut expenditures. There will no wholesale purge of Departmental heads appointed by the previous government and his changes to the public service will be moderate, incremental, and consultative. END SUMMARY.

DEPARTMENTAL RESTRUCTURING

¶2. (SBU) On advice from Rudd, the Governor-General has issued his Administrative Orders which outline the new division of labor in the public service. The most notable departmental restructuring is the merging of the Department of Employment and Workplace Relations with the Department of Education. The Coalition has criticized this as a downgrading of education but some industry groups believe there are synergies between education and employment in the context of targeting education to address skills shortages and lift productivity. It is a heavy workload for the responsible Minister, Deputy Prime Minister Julia Gillard. In a second significant change, Climate Change and Water will be taken out of the Environment portfolio and moved to the Prime Minister's portfolio -- but still under the direction of a cabinet minister: Penny Wong. Rudd has held off establishing a Department of Homeland Security pending further review.

A "RAZOR GANG" TO CUT EXPENDITURE

¶3. (U) Rudd has also promised to cut public service spending, which his Finance Minister Lindsay Tanner has characterized as being "out of control." The new government's current plans are to impose a two percent "efficiency dividend" across the entire federal bureaucracy, on top of the existing 1.25 percent annual efficiency dividend. These announced cuts are likely to be followed by further cuts in areas where the new government believes it can eliminate waste.

NO NEED TO PURGE DEPARTMENT HEADS

¶4. (SBU) On taking office in 1996, former Prime Minister John Howard quickly replaced six Departmental secretaries. Rudd has indicated such a purge will not occur under his administration because it would not be conducive to a smooth transition and, he has claimed, it would compromise the tradition of an independent public service. That said, it is likely that several Departmental heads will resign or not

seek to have their contracts renewed. The former head of the Department of Education, Science and Training, former Costello adviser Peter Boxall has been appointed Secretary of the new Department of Resources, Energy and Tourism -- a move generally regarded as a demotion. As head of the new Department of Climate Change and Water, Rudd has appointed Dr Martin Parkinson, generally regarded as an Australian Labor Party (ALP) sympathizer. Rudd holds the Secretary of Treasury, Ken Henry, in the highest regard, and he has said he will retain Defense Secretary and ex-Howard advisor Nick Warner.

15. (SBU) The ALP, when it was in opposition, was publicly critical of the Howard government for reducing the length of contracts for departmental heads from five years to, in most cases, three years. It will now, however, reap the benefits of the shorter contracts. The Secretary of the Department of Prime Minister and Cabinet, Peter Shergold, who had already planned to leave government service, has stated that he will not seek an extension of his contract, which ends in February 2008. In addition, the Secretary of the Department of Foreign Affairs and Trade, Michael L'Estrange, a former adviser to John Howard, is not expected to seek re-appointment when his contract expires in January 2009.

RUDD WANTS GREATER OPENESS AND HIGHER STANDARDS

16. (SBU) Rudd maintains publicly that he will have no hesitation in sacking Ministers that do not perform. He has also claimed that he will be less willing than Howard to let Ministers escape punishment for departmental oversights such as the Australian Wheat Board scandal. Rudd has outlined a new code of Ministerial Responsibility which includes a ban on Ministers owning shares except as part of a mutual fund in which they have no investment authority; a publicly available register of lobbyists; and an 18-month ban on ex-ministers working in areas in which they had official dealings. Critical of what he sees as a "culture of secrecy" in the public service, he has promised to liberalize Freedom of Information laws which has endeared him to the media, and provides the potential to embarrass the Howard Government over issues such as the wheat board scandal and defense purchases. Rudd plans to reform the practice of paying bonuses to senior public servants, believing it encourages public servants to tell government what it wants to hear.

COMMENT: RUDD'S TENDENCY TO CENTRALIZE

17. (C/NF) From 1991 to 1995, Rudd was director-general of the Queensland Cabinet Office and essentially ran the state's bureaucracy. Reports of Rudd's tenure as director-general contain common themes. He ran a large, activist cabinet office that did not limit the scope of its activities. Rudd hired specialists and party operatives and often overrode ministers and cabinet departments or drastically changed their submissions. His technique was to impose control on process and outcomes and consolidate policy-making at the center. He was convinced there were "right answers" to political and policy problems. Rudd did not hesitate to dump a number of non-performing senior state bureaucrats, most famously assigning some to work in an empty warehouse. This, and the fact he eliminated hundreds of hospital beds, earned him the nickname "Dr. Death."

18. (C/NF) One academic commentator, Professor John Wanna from the Australian National University and Griffith University in Queensland, believes that Rudd will not need or be able to exercise the same amount of control over the federal bureaucracy as Prime Minister of Australia. At the federal level, the bureaucracy is more talented and has more policy-making capacity, and senior cabinet ministers will be much less malleable than their state counterparts. Rudd learned from the electoral defeat of the Goss government and his unsuccessful first run for Parliament in 1996 that he needed to become more relaxed and forgiving. Wanna

maintains, however, that Rudd will retain his centralist, workaholic tendencies, operating through a few chosen advisors.

COMMENT CONTINUED: SO FAR SO GOOD?

19. (C/NF) Although Rudd has said he will cut bureaucratic costs, he still retains the goodwill of Canberra's public servants, many of whom had become increasingly cynical about the Howard Government's politicizatQn of the public service.

In keeping with his tendency towards central control, Rudd will now require input from the Treasury Department into a wide range of policy decisions. Still on his political honeymoon, Rudd's rhetoric about Ministerial accountability, cutting public sector waste and "ending the blame game" on service delivery has been well received but living up to the rhetoric will pose a significant challenge to a party that has been out of government for over 11 years.

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